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Mr. Linton

Annual Report 1963

CONSOLIDATED BAKERIES OF CANADA LIMITED
AND ITS SUBSIDIARY COMPANIES



DIRECTORS

A. ATKINS
H. W. BLAKLEY
PAUL BIENVENU
L. F. BURROWS, M.C.
H. NORMAN DAVIS
W. E. GORDON
O. HANCOCKS
J. H. MALCOLM
*J. A. MATHEWSON, Q.C.
HON. C. P. McTAGUE, Q.C.
J. W. TAIT, C.A.
R. L. WARREN

*Deceased Aug. 23 - 1963

Consolidated Bakeries of Canada Limited

OFFICERS

O. HANCOCKS, *Chairman of the Board*
H. W. BLAKLEY, *President*
R. W. PECK, *Vice-President — Marketing*
R. J. ST. PIERRE, *Vice-President — Production*
H. S. PRATT, *Vice-President and Treasurer*
E. R. O'BRIEN JR., *Comptroller*
T. M. DUTTON, *Secretary*

TRANSFER AGENT

Canada Permanent Trust Company,
Toronto and Montreal

REGISTRAR

National Trust Company Limited,
Toronto and Montreal

EXECUTIVE OFFICES

555 King St. West, Toronto 2B, Ontario

DIRECTORS' REPORT FOR THE YEAR ENDING DECEMBER 28TH, 1963

To the Shareholders of CONSOLIDATED BAKERIES OF CANADA LIMITED

EARNINGS — The Consolidated Net Loss, exclusive of profit on sale of land, buildings and investments, and after reduction of provision for future income taxes, amounted to \$641,160.

Profit on sale of marketable securities (\$193,852) and fixed assets (\$44,312), which is not included above, amounted to a total of \$238,164.

OPERATIONS — The year 1963 was a most difficult one for our company. We had to bear the consequences of several adverse factors, chief among them being strikes in the early months of the year in each of our two largest bakeries, both located in Montreal. Our Strachan plant was on strike for four weeks and our Westmount plant for three weeks. Though we kept these plants in partial production during the strike period, the cost of doing so was heavy. In addition, we had to pay premium costs for products supplied by outside sources. Every effort was made to maintain service to our customers but, despite this, many were lost. Legal fees and other expenses connected with the strike and its settlement were substantial.

Although we have been successful in increasing our manufacturing productivity, the new labour contracts have resulted in substantial increases in production wages in all our plants.

Distribution costs continued to increase, with the signing of new contracts with our employees throughout the company's operations, with consequent higher sales wages and commissions for our salesmen. Since we are primarily engaged in the home service bakery business, distribution costs constitute a significant expense. Vehicle repair and maintenance costs were a major factor. However, with the partial renewal of our fleet, through the leasing of five hundred new home service vehicles, we anticipate a reduction in fleet expenses. The first of these vehicles were not delivered until December 1963. Gasoline price increases also added to our cost of distribution.

Although we were able to obtain a one-cent per loaf increase in the price of bread in late 1962 in Ontario and in mid-1963 in Quebec, the benefit of this increase was nullified by extremely keen competition, higher discounts and a continuation of substantial increases in the cost of many ingredients, particularly sugar. Bakery product prices are still lower in Ontario and Quebec than in any other part of Canada.)

The Company experienced a re-organization throughout the year 1963, pursuant to the appointment of Mr. Harold W. Blakley as President on April 10, 1963, this reorganization causing the incurrence of certain unusual and non-recurring expenses.

Other senior management personnel appointed came to our company with excellent qualifications and background experience. Through their efforts, we have been able to accomplish significant improvements in product quality, packaging, sales training, fleet operations and production efficiency. However, the full effect of the many programs instituted in 1963 will not be felt until 1964, particularly plans to consolidate and integrate further the production facilities and depot operations.

CAPITAL EXPENDITURES — During the year a total of \$653,865.06 was spent on buildings and equipment.

Depreciation for the year amounted to \$649,104.

OUTLOOK — It is expected that planned cost reduction, continued productivity improvement and intensified sales and promotional programs will substantially reduce the loss anticipated for 1964. Competition will undoubtedly remain very keen, since there is much excess capacity in the industry in Eastern Canada.

STOCK OPTIONS — On April 10, 1963, your Directors provided a management incentive Stock Option Plan whereby 30,000 shares of unissued common stock have been reserved for this purpose. As of December 28, options have been granted on 22,000 shares at \$8.00 per share. These options extend for a period of ten years on condition that they may not be exercised until twelve months after having been granted, and thereafter may only be exercised in part until the termination of the fourth year after having been granted.

PERSONNEL — During the year, your Company suffered a sad loss in the death of the Honourable J. Arthur Mathewson, Q.C., one of our senior directors.

We wish to express to the officers and employees of the Company our most sincere appreciation for their efforts and loyalty during this trying period.

Toronto, Ontario, March 31st, 1964.

Submitted on behalf of the Board.

HAROLD W. BLAKLEY, President.

CONSOLIDATED BAKERIE

(Incorporated under the laws of the State of New York and its wholly owned subsidiaries)

CONSOLIDATED BALANCE SHEET

(with comparative figures for 1962)

CURRENT ASSETS:

	1963	1962
Cash	\$ 578,253	\$ 461,729
Funds on deposit with trustee for the bondholders	—	210,243
Investment in marketable securities at cost less amounts written off (market value 1962, \$263,278)	—	98,679
Accounts receivable	1,168,128	1,040,873
Inventories valued at the lower of cost or market	828,329	1,031,700
Mortgages receivable due within one year	171,872	216,984
Total current assets	<u>\$2,746,582</u>	<u>\$3,060,208</u>

CURRENT LIABILITIES:

Bank loan	\$ 530,000	—
Accounts payable and accrued charges	1,324,331	\$1,446,176
Dividend payable	—	84,861
Income and other taxes payable	49,117	47,588
Salesmen's and drivers' deposits	101,172	93,267
Instalment of first collateral serial bonds due within one year	—	150,000
Total current liabilities	<u>\$2,004,620</u>	<u>\$1,821,892</u>
WORKING CAPITAL	<u>\$ 741,962</u>	<u>\$1,238,316</u>

OTHER ASSETS:

Investment in other companies at cost	\$ 259,432	\$ 259,432
Fixed assets (note 1)	5,140,307	5,164,400
Mortgages receivable less portion due within one year	161,685	183,609
Prepaid expenses and deferred charges	127,751	123,376
Goodwill	1	1
	<u>\$5,689,176</u>	<u>\$5,730,818</u>
	<u>\$6,431,138</u>	<u>\$6,969,134</u>

OTHER LIABILITIES:

Tax reductions applicable to future years (note 2)	—	\$ 135,000
		<u>\$ 135,000</u>

EXCESS OF ASSETS OVER LIABILITIES

\$6,431,138 \$6,834,134

SHAREHOLDERS' EQUITY:

Capital (note 3) —		
Authorized: 500,000 ordinary shares of no par value		
Issued: 339,443 shares	\$3,499,430	\$3,499,430
Earned surplus	2,931,708	3,334,704
	<u>\$6,431,138</u>	<u>\$6,834,134</u>

On behalf of the Board:

H. W. BLAKLEY, Director

O. HANCOCKS, Director

See accompanying notes to consolidated financial statements.

OF CANADA LIMITED

(the laws of Canada)
owned subsidiaries

AS AT DECEMBER 28, 1963

(at December 29, 1962)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- | | 1963 | 1962 |
|---|---------------------|---------------------|
| 1. Fixed assets: | | |
| Land, buildings, machinery and equipment as written down to a revaluation by officials of the company at January 1, 1933, with subsequent additions at cost — | | |
| Buildings, machinery and equipment | \$12,725,569 | \$12,653,392 |
| Less accumulated depreciation | 7,789,672 | 7,707,159 |
| | <u>\$ 4,935,897</u> | <u>\$ 4,946,233</u> |
| Land less amounts written off | 204,410 | 218,167 |
| | <u>\$ 5,140,307</u> | <u>\$ 5,164,400</u> |
2. As a result of the loss for the year, the depreciation written in the accounts for 1963 will not be claimed for tax purposes and accordingly the "tax reductions applicable to future years" amounting to \$135,000 has been returned to income.
3. During the year options, expiring in 1973, were granted to officers and employees to subscribe for 22,000 shares of the capital stock at \$8 per share. A further 8,000 shares of the capital stock were reserved for option which may be granted to officers and employees by the board of directors at a price not less than 90% of the prevailing market price.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

CONSOLIDATED BAKERIES OF CANADA LIMITED:

We have examined the consolidated balance sheet of Consolidated Bakeries of Canada Limited and its wholly-owned subsidiaries as at December 28, 1963 and the statement of consolidated profit and loss and earned surplus for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and statement of consolidated profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 28, 1963 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 11, 1964.

CLARKSON, GORDON & CO.,
Chartered Accountants.

CONSOLIDATED BAKERIES OF CANADA LIMITED

and its wholly-owned subsidiaries

STATEMENT OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 28, 1963

(with comparative figures for 1962)

	1963	1962
<i>Operating profit (loss) before deducting the charges set out below</i>	<u>\$ (40,473)</u>	<u>\$ 513,683</u>
DEDUCT:		
Depreciation	\$ 649,104	\$ 663,929
Executive salaries	109,413	64,000
Directors' fees	11,027	11,140
Legal fees	27,251	4,311
Interest on bonds payable	1,895	7,490
	<u>\$ 798,690</u>	<u>\$ 750,870</u>
<i>Operating loss before other income</i>	<u>\$ (839,163)</u>	<u>\$ (237,187)</u>
Investment income	63,003	71,866
	<u>\$ (776,160)</u>	<u>\$ (165,321)</u>
Reduction in provision for future taxes (note 2)	135,000	—
<i>Loss for the year before profit on sale of investments and fixed assets</i>	<u>\$ (641,160)</u>	<u>\$ (165,321)</u>
<i>Profit on sale of investments and fixed assets</i>	238,164	—
<i>Loss for the year</i>	<u>\$ (402,996)</u>	<u>\$ (165,321)</u>
Earned surplus at the beginning of the year	3,334,704	3,669,746
Deduct dividends declared of 50c per share	—	(169,721)
<i>Earned surplus at the end of the year</i>	<u><u>\$2,931,708</u></u>	<u><u>\$3,334,704</u></u>



The World's Finest Fruit Cake

